

Message Text

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ACTION EB-07

INFO OCT-01 EA-10 IO-10 ISO-00 JUSE-00 L-03 FEA-01 AGR-10

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02

SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02

OMB-01 FTC-01 /116 W

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R 300612Z JUL 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1752

INFO U.S. MISSION GENEVA 261

USDEL MTN GENEVA

UNCLAS SECTION 1 OF 2 SEOUL 5751/1

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: KOREAN EXPORT RESTRICTIONS

REF: (A) STATE 146681

P (B) SEOUL 932, FEB. 7, 1974

(C) SEOUL 975, FEB. 8, 1974

(D) SEOUL A28, FEB. 8, 1974

(E) SEOUL A-38, FEB. 20, 1974

(F) SEOUL A-214, AUG. 2, 1974

(G) SEOUL A-312, DEC. 27, 1974

(H) STATE 169116, JUL 17, 1975

(I) SEOUL 2763, MAY 1, 1974

SUMMARY: KOREA'S CURRENT LIST OF BANNED EXPORTS INCLUDES 12
BTN CATEGORIES WHILE RESTRICTED LIST TOTALS 244, UP FROM 184
IN 1971. DEGREE OF RESTRICTION RANGES FROM VIRTUAL EMBARGOES
TO EXPORT ASSOCIATION CONTROL FOR ORDERLY MARKETING. PRINCIPAL
ITEMS OF U.S. INTEREST INCLUDE TEXTILES, FOOTWEAR, IRON AND STEEL
PRODUCTS, WIDE RANGE OF ELECTRONIC PRODUCTS, PLYWOOD AND CERTAIN
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LEATHER PRODUCTS. END SUMMARY.

1. FOLLOWING INFORMATION OF ROKG EXPORT RESTRICTIONS FURNISHED
IN RESPONSE REF A.

2. AS DESCRIBED IN REFS B AND C, KOREA HAS NO EXPORT TAXES OR FEES, BUT ALL EXPORTS FROM KOREA REQUIRE LICENSE. BANKS AUTHORIZED TO AUTOMATICALLY APPROVE LICENSE UNLESS ITEM LISTED IN SEMI-ANNUAL TRADE PLAN AS BANNED OR RESTRICTED EXPORT. FOR RESTRICTED EXPORTS, TRADE PLAN OR SUPPLEMENTARY REGULATIONS DESIGNATE EITHER GOVERNMENT AGENCY OR EXPORT ASSOCIATION FROM WHOM PRIOR APPROVAL FOR EXPORT MUST BE OBTAINED. CURRENTLY, ITEMS UNDER 12 FOUR-DIGIT BTN CATEGORIES ARE BANNED AND ITEMS UNDER 244 FOUR-DIGIT BTN CATEGORIES ARE RESTRICTED. BANNED LIST UNCHANGED FROM 1971, BUT EMBASSY'S COUNT SHOWS 77 FOUR-DIGIT BTN CATEGORIES ADDED AND 17 DELETED FROM RESTRICTED LIST BETWEEN 1971 AND 1975 FOR NET INCREASE OF 60. THESE RESTRICTIONS OF INDEFINITE DURATION. REF D UPDATED BANNED AND RESTRICTED LISTS THROUGH FEB. 8, 1974, FURTHER REVISIONS BETWEEN THAT DATE AND ANNOUNCEMENT SECOND HALF 1975 TRADE PLAN REPORTED REFS E, F AND G. (NO REFS SENT GENEVA.) SECOND HALF 1975 TRADE PLAN, EFFECTIVE JULY 1, INCLUDES FOLLOWING ADDITIONAL CHANGES:

A. EXPORT BANNED LIST: NO CHANGE

B. EXPORT RESTRICTED LIST:

ADDED

BTN NO. ITEM

0106 A. SEA-URCHIN, OTHERS B. LUGWORM

0204 SEA-URCHIN

0407 SALTED SEA-URCHIN

0701 FRESH VEGETABLES-ONIONS

0806 APPLES AND PEARS

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2604 OTHER SLAG AND ASH

4011 RUBBER TIRES, CASES, TREADS, TUBES AND FLAPS

4423 BUILDERS CARPENTRY AND JOINERY

4427 LAMPS, CASES & BOXES

4603 BASKETWORK, ETC.

6109 KNITTED BRASSIERES

7116 IMITATION JEWELRY

7311 ANGLES, SHAPES & SECTIONS OF IRON & STEEL

7318 TUBES, PIPES AND BLANKS OF IRON & STEEL

7334 PINS, HAIRPINS AND CURLING GRIPS OF IRON OR STEEL

7418 SANITARY WARE, POTS

8306 STATUETTES AND OTHER ORNAMENTS

8513 INTERPHONES AND INTER-COMS

8519 PRINTED CIRCUITS

9004 SPECTACLES, LORGNETTES, GOGGLES, ETC.

9028 ELECTRICAL THERMOMETERS AND VOLTAGE REGULATORS

9101 LIGHT EMISSION DIODE, LIQUID CRYSTAL DISPLAY OR
WATCHES ELECTRONIC, INDICATING TYPE

9104 OTHER CLOCKS

9107 LIGHT EMISSION DIODE, LIQUID CRYSTAL DISPLAY OR
WATCHES ELECTRONIC, INDICATING TYPE OF WATCH MOVEMENT

9201 PIANOS

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9202 GUITARS

9210 PARTS OF PIANOS, ORGANS & HARMONICAS

9502 PROCESSED PEARL SHELL

9505 HORNS, CORAL, ETC.

9702 OTHER TOYS-DOOLS ONLY

9812 COMBS

DELETED (NOW AUTOMATIC APPROVAL)

BTN NO. ITEM

1405 RAMIE BARK

1510 STEARYL ACID

2856 CARBIDES

3401 SOAP

7301 PIG IRON, CAST IRON AND SPIEGELLISM

7306 PUDDLED BARD AND PILINGS, INGOTS, BLOCKS, LUMPS OF
IRON & STEEL

7903 BLUE POWDER, ZINC DUST

9029 JEWEL BEARING

NOTE: RESTRICTIONS OR BANS NORMALLY APPLY TO ONLY SELECTED ITEMS
RATHER THAN ALL ITEMS ENCOMPASSED IN FOUR-DIGIT BTN CATEGORIES
SHOWN.

3. REVISIONS CITED ABOVE SHOULD ALLOW DEPARTMENT UPDATE LIST
ON HAND. EMBASSY ALSO FORWARDING COMPLETE REVISED LIST BY
AIRGRAM WITH DATES OF REVISIONS BETWEEN 1971 AND 1975.
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4. SECOND HALF 1975 TRADE PLAN ALSO TRANSFERRED APPROVAL AUTHORITY
FROM GOVERNMENT AGENCY TO EXPORT ASSOCIATION FOR RESTRICTED ITEMS
UNDER 31 BTN CATEGORIES. SHIFT OF THIS AUTHORITY INTENDED AS
PART OF DECENTRALIZATION EFFORT UNDER ADMINISTRATIVE REFORM CAMPAIGN.
PRACTICAL EFFECT IN TERMS ADMINISTRATION OF CONTROLS, IN CASE OF
EXPORTS, EXPECTED TO BE GENERALLY MINIMAL.

5. AS DISCUSSED REFS B AND C, ROKG MOTIVATION IN APPLYING
RESTRICTIONS OR BANS VARIES FROM ITEM TO ITEM. GENERALLY SPEAKING,
BANNED EXPORT LIST COMPRISED OF ITEMS FOR WHICH DOMESTIC DEMAND
CLEARLY EXCEEDS DOMESTIC SUPPLY, E.G. BTN 5501-COTTON, NOT CARDED
OR COMBED. THIS ALSO TRUE OF SOME ITEMS ON RESTRICTED LIST,
E.G. BTN 7303-SCRAP IRON AND STEEL, WHOSE EXPORTS ALSO EFFECTIVELY
EMBARGOED. FOR BULK OF RESTRICTED LIST HOWEVER, EXPORTS ARE
CONTROLLED BUT NOT PROHIBITED, AND LIST INCLUDES NUMBER OF MAJOR
EXPORT ITEMS, E.G. TEXTILES, PLYWOOD, FOOTWEAR AND ELECTRONIC
COMPONENTS.

6. REASONS FOR RESTRICTIONS NORMALLY NOT ANNOUNCED AND CANNOT
BE IDENTIFIED WITH CERTAINTY BUT IN GENERAL THERE ARE THREE
PRINCIPAL REASONS FOR RESTRICTIONS: (1) TO MAXIMIZE SUPPLY FOR
DOMESTIC USE, THUS HOLDING DOMESTIC PRICES DOWN; (2) TO CONTROL
MARKETING FOR REASONS RANGING FROM MAINTAINING QUALITY CONTROL TO
AVOIDING UNPROFITABLE COMPETITION; (3) TO ADMINISTER BILATERAL
OR VOLUNTARY AGREEMENTS TO RESTRAIN CERTAIN EXPORTS.

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SP-02 OMB-01 /116 W

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R 300612Z JUL 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1753

INFO U.S. MISSION GENEVA 262

USDEL MTN GENEVA

UNCLAS FINAL SECTION OF 2 SEOUL 5751/2

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: KOREAN EXPORT RESTRICTIONS

7. WITH REGARD CATEGORY 1 ABOVE, RESTRICTIONS VARY FROM PERMANENT EMBARGOES, E.G. SCRAP IRON, TO TEMPORARY RESTRICTIONS DUE TO SHORT-TERM SUPPLY PROBLEMS, E.G. PIG IRON, CAST IRON, ETC. UNDER BTN 7301 WHICH WERE PLACED ON RESTRICTED LIST IN JAN. 1975 AND REMOVED EFFECTIVE JULY 1, 1975. MOST AGRICULTURAL OR INDUSTRIAL COMMODITIES ON LIST FOR WHICH THERE IS DOMESTIC AS WELL AS EXPORT DEMAND FALL IN THIS CATEGORY. IN SOME CASES MOTIVATION IS ALSO TO PROTECT OR ENCOURAGE OTHER INDUSTRIAL PROCESSING; HENCE, BTN 5505 COTTON YARN EXPORTS WERE EFFECTIVELY PROHIBITED FOR A TIME WHEN KOREA'S TEXTILE INDUSTRY COULD ABSORB TOTAL SUPPLY FOR FURTHER PROCESSING.

8. CONCERNING CATEGORY 2 ABOVE, THERE ARE EXPORT ASSOCIATIONS FOR VIRTUALLY ALL CATEGORIES OF KOREAN EXPORTS. CONTROL WHICH THESE ASSOCIATIONS EXERCISE OVER EXPORTS VARIES, BUT IT RANGES ALL THE WAY UP TO MAINTAINANCE OF CHECK PRICE (MINIMUM PRICE) SYSTEMS, UNCLASSIFIED

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AND POSSIBLY DIVISION OF MARKET SHARES, FOR SOME EXPORTS. IN MANY INSTANCES ASSOCIATIONS EXERCISE CONTROL INFORMALLY. IN OTHER INSTANCES, ROKG PLACES ITEM ON RESTRICTED LIST WITH PRIOR APPROVAL OF ASSOCIATION OFFICIALLY REQUIRED. MOST ITEMS ON RESTRICTED LIST WHICH ARE CONSUMER-ORIENTED ITEMS, LUXURY ITEMS OR OTHER ITEMS FOR WHICH DOMESTIC DEMAND IS MINIMAL FALL INTO THIS CATEGORY. THIS INCLUDES, FOR EXAMPLE, MOST ITEMS ADDED TO RESTRICTED LIST IN SECOND HALF 1975 TRADE PLAN (SEE PARA 2 ABOVE).

9. ITEMS IN CATEGORY 3 ABOVE CONSIST LARGELY OF TEXTILES AND CERTAIN FOOTWEAR. KOREA VOLUNTARILY RESTRAINS CERTAIN FOOTWEAR EXPORTS TO U.S. UNDER THREE-YEAR AGREEMENT DUE EXPIRE THIS YEAR, AND KOREA RESTRICTS TEXTILE EXPORTS TO MOST DEVELOPED COUNTRIES UNDER VARIOUS BILATERAL AGREEMENTS. KOREA RECENTLY AGREED RESTRAIN TUNA SALES AND CERTAIN KIMONO CLOTH EXPORTS TO JAPAN.

10. IN ADDITION ALL ABOVE, AS PREVIOUSLY REPORTED ROKG OPERATES MONOPOLIES IN TRADE OF TOBACCO AND GINSENG.

11. DISTORTION OF INTERNATIONAL TRADE: IT IS DIFFICULT TO GENERALIZE ABOUT SUCH WIDE RANGE OF RESTRICTIONS, BUT DISTORTION WHIS SYSTEM OF RESTRAINTS HAS ON INTERNATIONAL TRADE WOULD APPEAR TO BE QUITE MODERATE, IN CURRENT CIRCUMSTANCES. VIRTUAL ABSENCE OF ANY KNOWN DEPOSITS OF INTERNATIONALLY-SIGNIFICANT MINERAL RESOURCES OR PRODUCTION OTHER BASIC RAW MATERIALS LARGELY RULES OUT POSSIBILITY OF KOREA JOINING SUPPLIER CARTELS IN CURRENT VOGUE WITH POSSIBLE EXCEPTION TUNGSTEN. IN MOST CASES WHERE KOREA HAS BANNED OR EFFECTIVELY PROHIBITED EXPORTS OVER EXTENDED PERIOD, E.G. RAW COTTON, SCRAP IRON, WASTE PAPER, PRICE IS DETERMINED BY IMPORTS WHICH CONSTITUTE GREAT BULK OF SUPPLY AND EXPORTS UNLIKELY IN ANY CASE. THERE ARE SOME EXCEPTIONS E.G. ANTHRACITE COAL, BUT THESE ARE NOT OF MUCH SIGNIFICANCE. THERE ARE GRAYER AREAS IN CASES WHERE EXPORTS RESTRAINED DUE TO TEMPORARY DOMESTIC SHORTAGES, E.G. VARIOUS IRON AND STEEL PRODUCTS, CEMENT, AND FERTILIZER. IN EFFECT KOREA, AS MATTER OF ROUTINE POLICY, ASSURES THAT DOMESTIC REQUIREMENTS FOR WHAT IT CONSIDERS ESSENTIAL COMMODITIES GET PRIORITY IF SHORTAGES DEVELOP. HOWEVER, INTERNATIONAL IMPACT GENERALLY VERY MODEST GIVEN KOREA'S CURRENT MINOR ROLE IN WORLD MARKETS FOR MOST THESE COMMODITIES. HENCE, ISSUE ON THESE CATEGORIES OF RESTRAINTS IS LESS ONE OF PRESENT DISTORTIONS THAN OF UNCLASSIFIED

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PROBLEMS THAT KOREAN POLICIES COULD POSE IN FUTURE WHEN KOREAN ECONOMY PLAYING MORE VITAL ROLE IN SUPPLY OF SENSITIVE MANUFACTURED COMMODITIES TO WORLD MARKETS.

12. IN TERMS VOLUME OF EXPORTS AFFECTED, BOTH AS CONCERNS TRADE WITH U.S. AND TRADE WITH REST OF WORLD, RESTRICTIONS EMPLOYED TO ORGANIZE OR CONTROL MARKETING ARE MOST SIGNIFICANT BY FAR. IN SOME CASES THEY HAVE SALUTARY EFFECTS, FOR EXAMPLE, OF IMPROVING QUALITY CONTROL OR DISCOURAGING SHODDY MARKET PRACTICES AND IN OTHER CASES THEY ARE REQUIRED TO ADMINISTER BILATERAL AGREEMENTS. HOWEVER, THEY CAN ALSO FOSTER OR PROTECT CARTEL-LIKE PRACTICES AMONG LOCAL EXPORTERS. RESTRICTIONS ON EXPORTS UNDER BTN 6704, WIGS, EYELASHES, ETC. INSTITUTED PRIOR 1971 ARE CMW IN POINT. EYELASH EXPORTS ARE SUBJECT APPROVAL KOREAN EYELASH EXPORT ASSOC. WHILE WIGS AND OTHERS SUBJECT APPROVAL KOREAN HAIR GOODS EXPORTERS ASSOC. LATTER ASSOCIATION RECENTLY NAMED AS UNINDICTED CO-CONSPIRATOR IN U.S. GRAND JURY PROCEEDING IN ANTITRUST CASE (SEE RE H AND PREVIOUS) AND ACTIONS OF EYELASH EXPORTERS HAVE ALSO RAISED QUESTIONS (SEE REF I).

13. TO WHAT EXTENT OTHER EXPORT ASSOCIATIONS PURSUE POLICIES SIMILAR TO THOSE OF WIG AND EYELASH ASSOCIATIONS, EITHER WITH OR WITHOUT OFFICIAL REQUIREMENT FOR ASSOCIATION APPROVAL, IS DIFFICULT TO SAY WITHOUT DETAILED RESEARCH ON CASE-BY-CASE BASIS, BUT IT IS UNLIKELY POLICIES OF THOSE TWO ASSOCIATIONS ARE UNIQUE. HOWEVER, EMBASSY NOT AWARE OF ANY CURRENT COMPLAINTS FROM EITHER U.S. OR THIRD COUNTRY IMPORTERS REGARDING OTHER EXPORTS. OTHER IMPORTANT EXPORTS TO U.S. SUBJECT TO RESTRICTIONS WHICH APPEAR TO BE OF MARKETING CONTROL NATURE INCLUDE (ALL RESTRICTIONS INTRODUCED PRIOR 1971): BTN #8521-VARIOUS ELECTRONIC COMPONENTS, 1974 EXPORTS TO U.S.-\$155 MILLION; BTN #4415-PLYWOOD, \$110 MILLION; BTN #8515-RADIO AND TELEVISION EQUIPMENT AND RADAR COMPONENTS, \$59 MILLION; BTN #4203-LEATHER OR COMPOSITION LEATHER CLOTHING AND ACCESSORIES (INCLUDES BASEBALL GLOVES) \$33 MILLION; BTN #9211-PHONOGRAPH AND SOUND EQUIPMENT, \$23 MILLION; AND BTN #8514-MICROPHONES, STANDS, ETC., \$16 MILLION.

14. WITH REGARD IMPACT OF EXPORT RESTRAINTS DUE TO DOMESTIC SHORTAGES, ONLY CONTROLS ON IRON AND STEEL EXPORTS ARE OF SIGNIFICANCE TO U.S. SINCE KOREA HAS IN PERIODS OF STRONG DEMAND
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BEEN MODERATELY IMPORTANT SUPPLIER TO U.S. MARKET. CATEGORIES OF U.S. INTEREST INCLUDE, WITH DATE RESTRICTION INTRODUCED IN PARENTHESIS: BTN #7308-IRON OR STEEL COILS FOR REROLLING (JAN., 1975); BTN #7310-BARS AND RODS OF IRON OR STEEL (PRIOR 1971); BTN #7311-ANGLES, SHAPES AND SECTIONS (JULY 1975); AND BTN #7318-TUBES, PIPES AND BLANKS (JULY 1975). KOREAN 1974 EXPORTS TO U.S. IN THESE CATEGORIES TOTALED \$147 MILLION. THESE RESTRICTIONS APPLIED LOOSELY, IF AT ALL, IN CURRENT WEAK MARKET.
ERICSON

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<< END OF DOCUMENT >>

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